Dist.
GENERAL

LDC/HL/4/Rev.1
3 September 1997

Original: ENGLISH

High-level Meeting on Integrated Initiatives
for Least Developed Countries' Trade Development
27-28 October 1997

THE CONTEXT IN WHICH THE MEETING IS TAKING PLACE

Prepared by the UNCTAD secretariat in
consultation with the secretariats of
WTO and ITC

CONTENTS

Paragraphs

Introduction 1-6

I. **The general context**

A. Programme of Action for the Least Developed Countries for the 1990s 7-12

B. Final Act of the Uruguay Round (1994) 13-15

C. High-level Intergovernmental Meeting on the Mid-term Global Review on the Implementation of the Programme of Action for the LDCs for the 1990s (September/October 1995) 16-18

D. The Midrand Declaration and A Partnership for Growth and Development (1996) 19-20

E. United Nations System-wide Special Initiative on Africa (1996) 21-22

F. United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF) (1991) 23-25

G. Agenda 21 (1992) 26-27

II. **Trade-related initiatives**

A. Generalized system of preferences (GSP) 28-34

B. Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) 35

C. Lomé Convention 36-37

D. United States Administration's Trade and Development Policy for the Countries of Africa 38

III. **Debt-related initiatives**

A. Heavily Indebted Poor Countries (HIPCs) Initiative 39

B. Enhanced Structural Adjustment Facility (ESAF) 40

C. Other debt relief mechanisms 41-43

IV. Technical assistance programmes

A. UNCTAD Integrated Country Programme for developing supply capacities for tradeable goods and services in least developed countries 44-47

B. WTO technical assistance activities for LDCs 48

C. ITC technical cooperation with LDCs 49

D. UNDP Technical Cooperation with LDCs 50-53

E. Technical Assistance in World-Bank-Assisted Operations 54

F. International Monetary Fund (IMF) trade-related technical assistance activities 55-59

G. Integrated technical assistance programme in selected least developed and other African countries 60

V. Other initiatives

A. Global Knowledge 1997 61

B. Tokyo Declaration on African Development "Towards the 21st Century" 62

Least developed countries	
1. Afghanistan	25. Madagascar
2. Angola	26. Malawi
3. Bangladesh	27. Maldives
4. Benin	28. Mali
5. Bhutan	29. Mauritania
6. Burkina Faso	30. Mozambique
7. Burundi	31. Myanmar
8. Cambodia	32. Nepal
9. Cape Verde	33. Niger
10. Central African Republic	34. Rwanda
11. Chad	35. Samoa
12. Comoros	36. Sao Tome and Principe
13. Djibouti	37. Sierra Leone
14. Equatorial Guinea	38. Solomon Islands
15. Eritrea	39. Somalia
16. Ethiopia	40. Sudan
17. Gambia	41. Togo
18. Guinea	42. Tuvalu
19. Guinea-Bissau	43. Uganda
20. Haiti	44. United Republic of Tanzania
21. Kiribati	45. Vanuatu
22. Lao People's Dem. Rep.	46. Yemen, Republic of
23. Lesotho	47. Zaire
24. Liberia	48. Zambia

INTRODUCTION

1. The least developed countries (LDCs) are the poorest and economically weakest of the developing countries, with formidable structural problems. Among the major structural constraints hindering the development of their trade are their low export capacity, the very low level of their export receipts and their fluctuations, and the resulting sharp limitation on their capacity to import. They face supply-side weaknesses which impede their ability to compete effectively in world markets. As the LDCs moved into the 1990s, their share in both world exports and imports fell by one-half and one-third from the already meagre levels of 0.6 per cent and 1.0 per cent respectively in 1980. Moreover, the ratio of their exports to GDP fell from over 17 per cent to 14 per cent during the same period. The LDCs' share of world GDP decreased from 0.6 per cent in 1980 to 0.4 per cent in 1993. Their share in worldwide investment is also very small, and in 1995 the LDCs as a group received less than 1 per cent of FDI. This trend suggests that LDCs as a group have become further marginalized in world output, trade and investment.

2. Over the past several years, many LDCs have undertaken wide-ranging reform policies and measures to improve their economic situation. As they moved along the reform path, the reform objectives became more complex and ambitious, shifting from the limited concerns of correcting macroeconomic imbalances and stabilization to promoting development by a plethora of market-oriented reforms, including improving economic efficiency, curbing public-sector intervention, encouraging the private sector and liberalizing the external trade sector. However, despite some positive developments in a few LDCs, the reform process has not yet lifted the structural constraints in many LDCs' economies, nor improved their supply capacity.

3. For LDCs to break away from their marginalization and to participate more actively in the global economic processes, it is imperative that they should be supported in widening and deepening the external orientation of their economies. Without support, LDCs will probably become further marginalized as the process of globalization gains further momentum.

4. Since the establishment of the category of LDCs by the UN General Assembly in 1971, there have been several important initiatives in favour of these countries. These initiatives have attempted to address the constraints facing LDCs in integrating into the world economy and the international trading system.

5. In the Singapore Ministerial Declaration, adopted at the first WTO Ministerial Conference in Singapore in December 1996, WTO Members committed themselves to addressing the problem of marginalization of the LDCs and agreed to take positive measures, such as duty-free access, on an autonomous basis, aimed at improving their overall capacity to respond to the opportunities offered by the trading system. A Comprehensive and Integrated WTO Plan of Action for the Least Developed Countries was also adopted, which includes measures relating to the implementation of the Decision on Measures in Favour of the LDCs, as well as measures in the areas of capacity-building and market access.

6. At the WTO Conference, WTO Members agreed to seek to give operational content to the Plan of Action, for example by enhancing conditions for investment and providing predictable and favourable market access conditions for LDCs' products to foster the expansion and diversification of their exports to the markets of all developed countries and, in the case of relevant developing countries, in the context of the Global System of Trade Preferences among Developing Countries. The Plan of Action also envisages closer cooperation between WTO and other multilateral agencies assisting LDCs. It was on this basis that the Ministers, in Singapore, called on WTO to organize a meeting with UNCTAD and the ITC as soon as possible in 1997, with the participation of aid agencies, multilateral financial institutions and least developed countries, to foster an integrated approach to assisting these countries in enhancing their trading opportunities. The High-level Meeting on Integrated Initiatives for LDCs' Trade Development should be seen as a part of the broader spectrum of support initiatives for LDCs.

I. THE GENERAL CONTEXT

A. Programme of Action for the LDCs for the 1990s

7. The main policy framework for concerted international action to assist LDCs is the Programme of Action for the LDCs for the 1990s, adopted by the Second UN Conference on LDCs in 1990. In adopting the Programme of Action, the international community committed itself to urgent and effective action, based on the principle of shared responsibility and strengthened partnership, to arrest and reverse the deterioration in the socio-economic situation in the LDCs and to revitalize their growth and development. The Programme sets out detailed policy provisions for mobilizing and developing human capacities in LDCs, including the role of the private sector, as well as for the development of their economic base. The international community, particularly the developed countries, collectively committed itself to a significant and substantial increase in external financial support. The Programme provides for a set of alternative targets, which map out clearly the different undertakings made by donors in this regard (including the allocation of 0.20 per cent of donors' GNP as ODA to LDCs).

8. The Programme stresses that a more open, credible and durable multilateral trading system can effectively promote growth and development, particularly through improvements in market access. It calls for urgent steps to provide improved market access for products originating from LDCs. In this regard, it states that there is scope for further improvement of the GSP schemes and improved utilization of the benefits conferred.

9. On the question of market access, the Programme calls for giving special attention to LDCs' needs and to the following:

(a) Advanced implementation of MFN concessions of particular interests to LDCs;

(b) Enhanced access for products of LDCs through (i) the elimination, where possible, or substantial reduction of tariffs; and (ii) the elimination, where possible, or greatest possible reduction of non-tariff barriers;

(c) Phased implementation by LDCs of TRIPs and TRIMs;

(d) Possible modalities for special treatment for tropical products of special interest to LDCs; and

(e) The fullest possible liberalization of trade in textile and clothing for LDCs.

10. The Programme notes that there exists scope for the improvement of GSP schemes. Areas of interest to LDCs include: increasing the range of products covered or the tariff concession; applying flexible rules of origin; special terms or exemptions from quotas or ceilings; and greater long-term stability and predictability in the management of GSP schemes.

11. The Programme states that GSP schemes are often quite complex and administratively cumbersome. Developed countries were strongly urged to take steps to simplify procedures where appropriate. They could also help LDCs take fuller advantage of the GSP schemes, as in many cases the LDCs find it difficult to exploit GSP opportunities fully owing to their weak and narrow-based economies. The Programme underscored the need for parallel progress in institution-building, the development of the export sector, and development partner assistance to help export promotion and diversification.

12. The Programme calls for considering preferential measures in favour of LDCs in the context of bilateral arrangements with their neighbours, as well as in regional and subregional groupings of developing countries, and for the interests of LDCs to be taken into account during implementation of other regional integration schemes by developed countries.

B. Final Act of the Uruguay Round (1994)

13. The Uruguay Round of multilateral trade negotiations was successfully concluded with the signing of the Final Act in April 1994.

14. The key features of the outcome of the Round include, first, the establishment of the World Trade Organization (WTO) to provide a common institutional framework for the conduct of trade relations among its members in respect of all the agreements and arrangements concluded under its auspices, including the entire results of the Uruguay Round. Secondly, tariffs on manufactures have been reduced on average by over one-third. Thirdly, with the gradual phasing-out of the Multi-Fibre Arrangement (MFA) and voluntary export restraints (VERs), non-tariff measures (NTMs) have been rolled back to a considerable extent. Fourthly, an integrated dispute-settlement mechanism has been established, underpinned by more transparent and stronger rules, to apply to all multilateral trade agreements annexed to the Agreement establishing the WTO. Fifthly, the principle of differential and more favourable treatment has been built into the various agreements in recognition of the special developmental, financial and trade needs of developing countries and the least developed among them.

15. Special and differential treatment for LDCs has been incorporated into the various provisions of the multilateral trade agreements and in the Decision on Measures in Favour of the Least Developed Countries annexed to the Final Act. In the Decision, Ministers decided that: "... if not already provided for in the instrument negotiated in the course of the Uruguay Round, notwithstanding their acceptance of these instruments, the least

developed countries, and for so long as they remain in that category, while complying with the general rules set out in the aforesaid instruments, will only be required to undertake commitments and concessions to the extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities". Ministers further agreed that: "The rules set out in the various agreements and instruments and the transitional provisions in the Uruguay Round should be applied in a flexible and supportive manner for the least developed countries...". They agreed to "keep under review the specific needs of least developed countries and to continue to seek the adoption of positive measures which facilitate the expansion of trading opportunities in favour of these countries."

C. High-level Intergovernmental Meeting on the Mid-term Global Review on the Implementation of the Programme of Action for the LDCs for the 1990s (September/October 1995)

16. The High-level Meeting called for the effective application of all the provisions of the Final Act of the Uruguay Round and for concrete action, as appropriate, consistent with the Final Act, to fully and expeditiously implement the Marrakesh Declaration as it relates to LDCs, as well as the Ministerial Decision on Measures in Favour of the LDCs, and to give effect to the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and Net-Food Importing Developing Countries, with a view to enhancing LDC participation in the multilateral trading system, taking into account the impact of trade liberalization and the relatively weak capacities of LDCs to participate in an increasingly competitive global market in goods and services.

17. In its recommendations, the High-level Meeting stated the following (TD/B/LDC/GR/8, para one, paras. 42-46):

(i) "Consideration shall be given to further improving GSP schemes and other schemes for products of particular export interest to LDCs, e.g. agricultural products, fish and fish products, leather and footwear, and textiles and clothing, through, where possible, the widening of product coverage, the reduction of procedural complexities, and the avoidance of frequent changes in the schemes. Consideration should also be given to a significant reduction in tariff escalation.

(ii) The rules set out in the various agreements and instruments and the transitional provisions of the Uruguay Round, including those relating to anti-dumping, countervailing duties, safeguards and rules of origin, should be applied in a flexible and supportive manner for the least developed countries.

(iii) As for textiles and clothing, consideration should be given, to the extent possible, to permitting meaningful increases in the possibilities of access for exports from LDCs.

(iv) In the area of services, efforts should be directed at building and strengthening the efficiency and competitiveness of the weak domestic service sectors of the LDCs. Their participation in trade in services could

be enhanced by effective application of Article IV of GATS, with special priority given to LDCs. Furthermore, ways should be explored to facilitate LDC access to information technology and networks and distribution channels, and to give easy access to information to LDC service suppliers through contact points to be established, in accordance with GATS. It was noted that the movement of labour for the provision of services to other countries is an area of interest to LDCs.

(v) Care should be taken so that domestic laws and regulations of importing countries in areas such as labour and the environment do not constrain the export opportunities of LDCs in a manner inconsistent with the Final Act of the Uruguay Round."

18. The Meeting also called for refocusing, and where necessary, intensifying technical assistance to help LDCs take advantage of the new trading environment created by the conclusion of the Uruguay Round. The Meeting acknowledged that common efforts by donors, international organizations and the LDCs themselves were needed to implement the commitments made and to maximize the opportunities arising from the Uruguay Round Agreements.

D. The Midrand Declaration and A Partnership for Growth and Development: final outcome of UNCTAD IX (1996)

19. The ninth session of UNCTAD, held in South Africa in April 1996, recommended that a key function of UNCTAD should be to assist the LDCs to integrate into the world economy and the world trading system and therefore derive greater benefits from globalization and liberalization. The Midrand Declaration (TD/378) states that it should be recognized that countries enter the new rules-based trading system from very different starting points, and that, accordingly, the impact of globalization and liberalization is uneven. The least developed countries, particularly those in Africa, remain constrained by weak supply capabilities and are unable to benefit from trade. It also stresses that special attention should be paid to creating an overall enabling environment at the policy and institutional level for the LDCs.

20. "A Partnership for Growth and Development" (TD/378) recognizes that in LDCs, commodity and market diversification require investment, human resource development, technological capacities, skills and support infrastructure to augment levels of production and efficiency to meet the exacting quality, costs and delivery requirements of global markets. International assistance, enhanced market access opportunities, development finance, investment and technical cooperation can play a crucial role in complementing domestic efforts to create necessary conditions for economic growth and sustainable development. The Conference recognized the value of the GSP as an instrument for the expansion of trade. It invited the preference-giving countries to continue to improve and renew their GSP schemes in keeping with the post-Uruguay Round trading system and with the objective of integrating developing countries, especially LDCs, into the international trading system. It called for finding ways and means to ensure more effective utilization of GSP schemes by LDCs and for taking actions, as appropriate, to maximize the opportunities and to minimize the difficulties of developing countries, especially the LDCs, in adjusting to the changes

introduced by the Uruguay Round. Governments were urged to implement fully and expeditiously the Marrakesh Ministerial Decision on Measures in Favour of the LDCs. The Conference called for an effective application of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net-Food Importing Developing Countries.

E. United Nations System-wide Special Initiative on Africa (1996)

21. The United Nations System-wide Special Initiative on Africa, initiated in March 1996, aims at expanding basic education and health care, promoting peace and better governance, and improving water and food security. The Initiative contains new measures to improve donor coordination and increase aid effectiveness. It comprises 14 specific components for action, based on four themes derived from development priorities defined by the African countries themselves, namely: "Give development a chance"; "New hope for the upcoming generation"; "Strengthening the capacity for governance"; and "Urgency on survival issues". Each component has its own framework for implementation and designates a relevant UN agency or agencies which will be held accountable for progress in achieving the goals. National Governments will be responsible for implementation in the field, and most of the resources will be allocated to national programmes of action locally defined and managed.

22. The first thematic area of the Special Initiative, "Give development a chance", contains trade-related aspects. Three priorities are specified in a section on "external support for Africa's economic transition": substantial debt relief, trade access and opportunities, and partnership with Africa through South-South cooperation. As the new international trading system brings both new opportunities and new obligations, the Special Initiative proposes three areas in which relevant agencies and organizations, particularly ECA, FAO, ITC, UNCTAD, the World Bank and WTO, can strengthen Africa's capacity to take better advantage of the new international trading environment. These are:

(i) Encouraging WTO to advise African States and the African business community on how African exports can be increased under the new regime and to initiate steps which can be undertaken to enhance the prospects for Africa's exports. It calls upon UNCTAD and WTO, with other relevant organizations, to produce a plan of action to focus their collective efforts, including ways to increase Africa's export-oriented production and the improvement of export diversification and markets;

(ii) Efforts to reduce or eliminate tariffs and trade practices harmful to Africa's trade prospects. Preference-giving countries should extend the product coverage of GSP benefits to African countries, in particular to the LDCs, and provide access, free of duties, ceilings and quotas to the latter. Stringent original requirements should be relaxed;

(iii) Technical assistance to be provided to Africa by WTO and other relevant agencies and organizations of the UN system in a number of areas.

F. United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF) (1991)

23. The UN-NADAF was adopted by the forty-sixth session of the United Nations General Assembly to serve as a catalyst giving political impulse and strength to the other activities going on within and outside Africa. The New Agenda has as its priority objectives the accelerated transformation, integration, diversification and growth of the African economies in order to strengthen them within the world economy, reduce their vulnerability to external shocks and increase their dynamism, internalize the process of development and enhance self-reliance.

24. The UN-NADAF also accords special attention to human development, increased productive employment and rapid progress towards the achievement of human-oriented goals by the year 2000 in the areas of life expectancy, integration of women in development, child and maternal mortality, nutrition, health, water and sanitation, basic education and shelter.

25. In order to achieve these broad objectives, the UN-NADAF states that it is necessary for the international community to enter into a new and stronger accord with Africa, which would spell out clearly the firm commitment of the international community to support and assist Africa in its efforts to implement successfully its development agenda and to reduce, if not entirely eliminate, external impediments and obstacles to Africa's accelerated socio-economic transformation.

G. Agenda 21 (1992)

26. The United Nations Conference on Environment and Development (UNCED) (1992), in adopting Agenda 21, made special references to LDCs. Principle 6 of the Rio Declaration states that the special situation and needs of the least developed countries shall be given priority. Several other chapters, specifically chapter 2 dealing with trade and environment, chapter 33 on resources and financing, and chapter 37 on international cooperation for sustainable cooperation, make special mention of the need to give particular attention to LDCs.

27. As part of the preparatory process for the June 1997 special session of the United Nations General Assembly on the review of Agenda 21, a joint UNCTAD and Department of Policy Coordination and Sustainable Development (DPCSD) Ad Hoc Expert Group Meeting on the Implementation of Special Measures for LDCs in Agenda 21 was convened in April 1997. In view of the slow progress in the implementation of special measures in Agenda 21 for LDCs, the Meeting made a series of recommendations to the Commission on Sustainable Development for consideration by the Commission in its preparatory work for the special session. These recommendations are in the areas of: (i) national policies for sustainable development in LDCs; (ii) external financial assistance in support of sustainable development; (iii) trade and environment; (iv) transfer of environmentally sound technologies; and (iv) capacity-building and human resources development.

II. TRADE-RELATED INITIATIVES

A. Generalized System of preferences (GSP)

28. The GSP, first implemented in 1971, provides for the granting of preferential tariffs by developed countries, on a non-reciprocal basis, on imports of selected products from developing countries. UNCTAD conference resolution 21 (II) established the following objectives for the GSP: (a) to increase developing countries export earnings; (b) to promote their industrialization; and (c) to accelerate their rates of economic growth. At present, the GSP is one of the most important and comprehensive systems to accord LDCs preferential access to markets. In 1993, nearly three-quarters of the exports of LDCs were absorbed by the markets of developed countries that granted GSP treatment. While preference-giving countries draw up their own list of beneficiaries, all LDCs have been included in most such lists since 1994.

29. The usefulness of GSP schemes for LDCs depends on: whether more favourable treatment is accorded to LDCs than to other beneficiaries; the extent to which the schemes are being used by LDC exporters; and improvements in the schemes, particularly for LDCs, bearing in mind the erosion of GSP preferences as a result of the implementation of the Uruguay Round Agreements.

30. There is a general consensus on the need to improve the GSP for the benefit of LDCs. Almost all preference-giving countries have implemented special measures in favour of LDCs, and further improvements are under consideration in the case of some schemes. Reform efforts have, in fact, gained new momentum in the wake of the Uruguay Round. Broad scope remains for strengthening special GSP measures for LDCs and enabling these countries to increase the utilization of the various national schemes.

31. In May 1997, the United States introduced substantial changes into its GSP scheme in favour of LDCs. It now grants duty-free access to more than 1,700 new products, especially in favour of designated LDCs. This measure expands substantially duty-free access to the US market for a wide range of agricultural products, petroleum and petroleum products and in industrial sectors not considered sensitive. It also covers almost all food and processedfood and fishery products, provided that imports find a place within the tariff quotas. According to the indications provided by the United States Government, the new LDC concessions cover additional imports from African LDCs of about US$ 2.5 billion. This new facility is likely to create substantial new trading opportunities for LDCs.

32. Norway has substantially enlarged its scheme's coverage and treatment of agricultural products in favour of LDCs. Access is duty-free and quota-free for all agricultural products except flour, grains and feeding stuffs, for which a 30 per cent preference is granted within indicative tariff ceilings.

33. Other preference-giving countries, in particular Canada and Switzerland, have also substantially revised their GSP schemes and expanded GSP benefits to cover a large number of new products. Canada extends duty-free treatment to all GSP-eligible imports from LDCs, with two exceptions: for tariffied agricultural products, the GSP rate is generally two-thirds of the MFN rate; for textiles, clothing and shoes GSP rates are half the MFN rates and

a ceiling is applicable. Rules of origin in general allow an import content of up to 60 per cent (instead of 40 per cent for other developing countries).

34. Japan's GSP provides for duty-free access for most industrial products imported from LDCs. In 1996/97, twenty-seven industrial products were excluded, such as silk and silk textiles, cotton yarns and fabrics, tanned furskins, clothing accessories of leather, and footwear. Product ceilings are not applied to LDCs. Imports of 73 agricultural products likewise benefited from duty-free entry. Another 27 product groups were excepted, such as meat, chilled or frozen fish, frozen shrimps, most fresh vegetables and non-tropical fruit, rice and other cereals, fruit juice, cigars and cigarettes, etc. Imports of rice are subject to an import quota. Origin rules are comparable in type to those of the EU. Donor-country content is applicable to most products, which can make it substantially easier for LDCs to meet the criteria. Japan does not apply MFA-type quantitative restrictions to imports of textiles and clothing from LDCs.

B. Agreement on the Global System of Trade Preferences among Developing Countries (GSTP)

35. The GSTP was established to promote and sustain mutual trade and the development of economic cooperation among developing countries through exchange of concessions in accordance with the Agreement establishing the GSTP. The Agreement stipulates that the special needs of the LDCs shall be clearly recognized and concrete preferential measures in favour of these countries should be agreed upon. The LDCs will not be required to make concessions on a reciprocal basis. The Agreement includes, in its Annex III, additional measures in favour of LDCs. It provides that "special consideration shall be given by participants to requests from participating LDCs for technical assistance and cooperation arrangements designed to assist participating LDCs in expanding their trade with other developing countries and in taking advantage of the potential benefits of the GSTP". Several areas are identified for this purpose. The following LDCs are participants in the GSTP: Bangladesh, Benin, Guinea, Mozambique, Sudan and the United Republic of Tanzania.

C. Lomé Convention

36. The Lomé Convention provides the framework for trade and aid between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries. The Convention has been revised every five years to adjust it to economic and political developments, add new cooperation instruments and set fresh priorities. The last revision took place in 1995, and the current convention is due to expire in February 2000. The debate has been launched on the new style of cooperation that will govern relations between the EU and its ACP partners once Lomé IV has expired.

37. The 39 LDCs among the 70 ACP countries that are parties to the Lomé Convention benefit from duty-free access to the EU market for a range of agricultural and industrial goods and from the export earnings stabilization scheme for agricultural commodities (STABEX) and the financing facility for mining products (SYSMIN) which provides financial transfers to commodity exporters that suffer a substantial drop in export earnings. In 1987, the EEC established a programme to provide compensation for the decline in export earnings

from agricultural commodities for LDCs that are not signatories of the Lomé Convention.

D. United States Administration's Trade and Development Policy for the Countries of Africa

38. The primary goal of the United States Administration's Trade and Development Policy for the Countries of Africa is to support sustainable economic development in the region and to quicken the pace of that development. In response to the economic and democratic reforms implemented by many sub-Saharan African countries in recent years, the Administration seeks to: (i) increase trade flows between the United States and sub-Saharan Africa; (ii) promote economic reform, as well as the development of the private sector and infrastructure; (iii) improve the investment climate; and (iv) strengthen efforts toward democratic governance. A variety of tools will be used, including: bilateral technical and development assistance; increased Government-to-Government dialogue; multilateral development and IMF assistance; bilateral and multilateral debt reduction programmes; WTO disciplines and participation; bilateral trade and investment agreements; and export promotion programmes.

III. DEBT-RELATED INITIATIVES

A. Heavily Indebted Poor Countries (HIPCs) Initiative

39. The HIPCs Initiative, jointly proposed and put in place by the IMF and the World Bank, represents a commitment by the international community to reduce to sustainable levels the external debt burden of an eligible country that successfully completes a period of strong policy performance. The Initiative seeks to ensure that a country's debt burden does not inhibit its capacity for sustained growth. Twenty-nine LDCs are included in the group of 41 countries identified as HIPCs. The HIPCs Initiative builds on existing mechanisms for providing debt relief, particularly the Paris Club. Where these mechanisms would not permit the achievement of debt sustainability upon completion of a first stage on structural adjustment and policy reform, enhanced action under a second stage is envisaged. This would imply a deepening of relief in the Paris Club (Paris Club creditors have indicated their willingness to provide debt reduction of up to 80 per cent in present value terms on a case-by-case basis), comparable treatment by other bilateral and commercial creditors and enhanced support and debt relief. An HIPCs Trust Fund has been established by the World Bank to finance the scheme, while the IMF would participate through the Enhanced Structural Adjustment Facility (ESAF). As first beneficiary, Uganda's eligibility for assistance under the HIPCs Initiative was approved in April 1997. Under the Initiative, Uganda is expected to receive about $340 million (in net present value terms or in April 1998 dollars) from its creditors, representing an approximately 20 per cent reduction in its debt. Other beneficiaries will be considered on a case-by-case basis.

B. Enhanced Structural Adjustment Facility (ESAF)

40. Since the second half of the 1980s, the IMF has sought to respond to the balance-of-payments difficulties confronting many of the world's poorest developing countries by providing concessional financing through the ESAF and its predecessor, the Structural Adjustment Facility (SAF). ESAF arrangements provide financial support to countries

implementing comprehensive programmes of macroeconomic stabilization and structural reform. In 1993, it was decided to enlarge and extend ESAF to ensure continued concessional support by the IMF to the poorest countries, and the Executive Board of the IMF decided to initiate operations under the enlarged and extended ESAF Trust. By the end of March 1997, twenty LDCs had ESAF arrangements in effect. In September 1996, the IMF's Executive Board reiterated its unanimous support for the continuation of ESAF.

C. Other debt relief mechanisms

41. The introduction, in December 1994, of the Naples terms for official bilateral debt relief in the Paris Club increased the percentage of possible debt reduction (in present value terms) to 67 per cent, as compared with 50 per cent under the enhanced Toronto terms. The Naples terms allow, for the first time, the reduction of the stock of debt as well as debt service, either through write-offs or through rescheduling at reduced interest rates. By mid-1997, nineteen LDCs had obtained restructuring of their debt under the Naples terms. Four of those agreements concerned stock-of-debt operations.

42. Initiatives have also been taken to reduce the commercial debt-servicing obligations of LDCs, including the Debt Reduction Facility (DRF) established by the World Bank in 1989. By the end of 1996, debt buy-back operations had been completed for eight LDCs (Ethiopia, Mauritania, Mozambique, Niger, Sao Tome and Principe, Sierra Leone, Uganda and Zambia).

43. A number of other debt relief mechanisms have been and continue to be applied to the benefit of LDCs, including ODA debt forgiveness by donor countries, in accordance with UNCTAD Trade and Development Board resolution 165(S-IX), other bilateral donor support for debt relief programmes, IDA supplemental allocations ("fifth dimension") and the IMF rights accumulation programme.

IV. TECHNICAL ASSISTANCE PROGRAMMES

A. UNCTAD Integrated Country Programme for developing supply capacities for tradeable goods and services in least developed countries

44. A central component of UNCTAD's role in assisting LDCs to integrate into the world economy is the provision of technical assistance to strengthen export supply capacities at the national level. The key areas in which UNCTAD focuses its activities are trade, investment, enterprise development, facilitating the role of women in business and trade, and technology. Technical assistance entails programmes to strengthen managerial and technical capacities in the private sector, to enhance the ability of public administration to formulate and implement appropriate policies, and to provide the service infrastructure to support trade and investment.

45. In line with the decision of the 1996 session of the Trade and Development Board, UNCTAD has launched an Integrated Country Programme (ICP) for developing supply capacities for tradeable goods and services in least developed countries to direct its technical cooperation activities in LDCs in the above-mentioned areas. The ICP will bring under its aegies UNCTAD's technical cooperation projects in LDCs, coordinating individual

technical cooperation activities at the country level to ensure that these activities focus on the specific requirements of these countries and that they complement rather than duplicate other technical cooperation activities undertaken by other agencies. Implementation of the ICP will therefore ensure that the level of technical assistance to LDCs is substantially increased and that the effectiveness of technical assistance in meeting the needs of LDCs is maximized. The ICP will provide a framework at the country level encompassing both existing technical cooperation activities in LDCs in the relevant fields and new initiatives. It will also facilitate the programming of UNCTAD's overall technical cooperation programme.

46. In its work relating to ICPs, UNCTAD has sought to involve other concerned agencies in joint programming missions. In this way, it will be able to fashion integrated multi-agency country programmes for LDCs in trade and trade-related areas which correspond to the overall objectives of the High-level Meeting.

47. The ICP has so far been initiated in Bangladesh, Cambodia, Gambia and Madagascar.

B. WTO technical assistance activities for LDCs

48. The WTO has, in cooperation with the World Bank and other agencies, initiated an Information Technologies and Development Project that will use information technologies to better enable decision-makers in developing countries to understand and make use of the rules and mechanisms of the WTO for the benefit of their countries. The project will enable developing country decision-makers to have permanent on-line access to electronic training and education tools conceived specifically for them, and to maintain ongoing electronic contact with the WTO so that they can keep abreast of new developments and be informed of the importance of agreements for their specific country or region. During the latter stages of the Uruguay Round, the least developed countries requested the establishment of a Special Unit within the WTO secretariat to deal with matters of specific interest to them, other than technical assistance. With the successful conclusion of the Uruguay Round, requests for WTO technical assistance have increasingly focused on the implementation of the Uruguay Round Agreements.

C. ITC technical cooperation with LDCs

49. ITC's first priority is to help the LDCs improve their trade performance. ITC's areas of specialization are product and market development, development of trade support services, trade information, human resource development, international purchasing and supply management, and needs assessment and programme design. Its technical cooperation programmes focus on business sector activities and aim at improving the global competitiveness of small and medium-sized enterprises (SMEs). In the decade up to 1996, undertook 101 country projects in 33 LDCs. In addition, LDCs were included in 282 interregional and 113 regional programmes. ITC's experience led it to emphasize the following key factors for success in trade-related technical cooperation: (i) a favourable macro policy and regulatory environment for trade; (ii) need-based, clearly focused and manageable programmes; (iii) programme ownership, commitment and partnership on the part of all stakeholders, public and private; (iv) importance of emphasis on national capacity-building. ITC presently has nine country projects underway in LDCs. An additional 10 LDCs are included under 18 interregional and 11 regional projects. ITC presently has nine

country proposals for LDCs awaiting funding, as well as four regional and two interregional proposals with significant LDC components. These projects aim at national capacity-building in partnership with local institutions, product and market diversification, and the improvement of the global competitiveness of SMEs.

D. UNDP technical cooperation with LDCs

50. The United Nations Development Programme (UNDP) is the UN's largest provider of grant funding for technical cooperation and the main body for coordinating UN development assistance at the country level. Funded by Governments' voluntary contributions, UNDP's overarching mission is to help countries build up their capacities for sustainable human development, which centres on people while promoting equitable economic growth. Priority policy objectives for programmes supported by UNDP focus on poverty eradication, sustainable livelihoods, environment and natural resources management, and the advancement and employment of women. Good governance and efficient public sector management are essential for reaching these policy objectives.

51. In support of these goals, UNDP is operating a network of offices in 132 countries to assume the overall responsibility for, and coordination of, the UN system is operational activities for development. To this end, the Resident Coordinator ensures the efficiency and consistency of the operational activities of the United Nations system with the plans, priorities and strategies of the country concerned, as well as the effective, complementary and synergistic contributions of the United Nations system.

52. In LDCs, UNDP's experience in supporting international trade and FDI has taken several directions:

(i) Capacity-building for trade and development. These projects focus mainly on strengthening human resources, information networking, development of procedures and systems and institutional development; support is provided to government institutions but also to the private and associative sectors such as chambers of commerce and industry and export processing zones;

(ii) Trade facilitation, such as streamlining of customs offices to increase efficiency and speed and cut down transaction costs, commercial fairs, exchange of electronic information on trade opportunities and transfer of technologies, quality control and standardisation;

(iii) Market access and regional groupings. Support is provided for strengthening policy-analysis capabilities, negotiation and implementation of measures agreed upon, either within a global framework, e.g. the Uruguay Round and now the WTO, or within regional free-trade zones and other cooperative arrangements between States and regional institutions; one particular case relates to land-locked countries and their access to harbours;

(iv) Trade development cannot be limited to the sole sector of trade, and an efficient public sector that guarantees property rights and policies that promote an enabling environment for the development of the private sector

are also key elements of success. In this regard, in nearly all LDCs UNDP supports governance programmes which aims at installing transparency and accountability in government and ensuring the credibility and confidence necessary to conduct business activities. These programmes may include components of fiscal governance, macro-economic policies that promote export-led development, trade liberalization and measures to encourage backward linkages with local enterprises, and strengthening of the legal and judicial system.

53. UNDP has embarked on preparatory work for the elaboration of a regional programme for sub-Saharan Africa directed towards capacity-building in the areas of trade and investment. This programme is being elaborated in close collaboration with various agencies, including UNCTAD, ITC, ECA, OAU and the regional groupings. The programme will focus primarily on four broad areas: (i) strengthening human resources in the area of regional and multilateral rules affecting trade and investment; (ii) strengthening the capacity of national governments, intergovernmental organizations, business and civil society in Africa to formulate trade and investment strategies that can promote export-led development; (iii) strengthening the enabling institutions and systems that enhance the capacity of African business to trade; and (iv) strengthening the capacity of African firms to use enabling and support services that can increase their capacity to trade. It is expected that this programme will become operational in the second half of 1997. UNDP is also implementing a programme which provides support to the Arab States, including the five Arab LDCs, in their pursuit of economic and social reform and multilateral economic cooperation.

E. Technical assistance in World-Bank-assisted operations

54. Technical assistance has been an important element of the operations implemented by the Bank since its early days. Many investment projects include technical assistance components because the borrowers recognize that they do not have the full complement of skills and related equipment to implement the projects within the stipulated time frame and cost parameters. The major thrust of freestanding technical assistance operations is to create or enhance borrower capacity to formulate policies that are conducive to growth and equity; build or strengthen institutions (ministries, agencies and local governments) and enhance the quality and delivery of public services; improve economic, financial, judicial and environmental management; assist in reducing government's involvement in directly productive activities, while also enhancing the performance of the remaining public enterprises through performance contracts or exposure to competition; and create an enabling environment for the private sector to play a vastly expanded role through appropriate incentives and minimal regulation. The Bank's role in assisting policy formulation, improving administrative systems and economic management, enhancing governmental efficiency and responsiveness to public needs, and vastly enhancing opportunities for the private sector has grown considerably in recent years, and the range of activities being supported continues to broaden. The Bank provides technical assistance to LDCs through IBRD and IDA projects, Trust Fund projects and Economic Development Institute activities.

F. International Monetary Fund (IMF) trade-related technical assistance activities

55. The Fund provides technical assistance in three main areas - monetary and exchange affairs, fiscal issues, and statistics - which contribute to trade liberalization and trade promotion. Technical assistance in foreign exchange system reforms focuses on the liberalization of exchange controls, acceptance of Article VIII of the Fund's Articles of Agreement, and the development of more market-based exchange arrangements. Much of this assistance has a direct bearing on trade liberalization.

56. The Fund has been heavily involved over the last few years in assisting member countries to improve their banking payments and settlements systems in order to meet international standards of best practice. Confidence in the payment process, as well as in the intermediation of savings and investment, is crucial for the efficient flow of goods, services, and information through markets. The adoption of international best practices has enabled domestic financial institutions to engage in cross-border activity in securities and foreign exchange and to facilitate the trade and finance activities of their customers. An improved payment system infrastructure has also provided a domestic environment which encourages the deepening of domestic financial systems through the entry of foreign institutions.

57. Technical assistance in monetary operations and monetary policy implementation contributes indirectly to trade liberalization. In the first place, it contributes to macroeconomic stabilization by helping countries to develop their monetary techniques. Moreover, since the techniques for implementing monetary policy that are usually proposed in the context of Fund technical assistance are market-based, they tend to encourage the development of the financial markets that are a necessary complement of the goods and services market. In addition, they facilitate the opening of domestic financial markets to international competition.

58. Technical assistance in the fiscal area affects trade promotion activity directly and indirectly; it covers both policy advice and systems and management issues. Main areas of such assistance are reform to tax and tariff policies, modernization of customs, trade data, introduction of VAT, income tax reform, and tax harmonization. Inasmuch as improved government budgeting and public finance management contributes to building investor confidence and macroeconomic stability, the Fund's considerable technical assistance in public expenditure management also helps to create favourable conditions for the conduct of trade and investment. The assistance is provided in the form of staff advisory missions, as well as through follow-up by short-term and long-term experts. In many cases assistance in these areas is part of a comprehensive programme sponsored along with other agencies such as the UNDP or the World Bank.

59. Technical assistance in balance of payments normally includes a review of the efficacy of the statistics covering trade in goods and services, together with practical suggestions as to how the statistics may be improved within the context of the economy receiving the assistance. However, this advice is generally focused on improvements that are important to balance-of-payments compilations. Thus, for merchandise trade, the issues of coverage, timing, classification and valuation are all addressed, while issues relating to commodity classifications, country destination or origin and the details of customs administration are typically not addressed. With respect to trade in services, the balance-of-payments accounts

are usually the only source of data in most countries. Thus, technical assistance addresses detailed issues relating to the sources and methodologies for measuring this trade. The assistance is provided in the form of regular missions of about two weeks each. In some cases, resident statistical advisors are posted in countries for longer periods (three months to a year) to address more extensive difficulties. Assistance is also provided in the form of training.

G. Integrated technical assistance programme in selected least developed and other African countries

60. On 26 April 1996, on the eve of UNCTAD IX, the Secretary-General of UNCTAD, the Director-General of WTO and the Executive Director of ITC launched in Midrand, South Africa, an integrated technical assistance programme for African countries. The overall objective of the programme is to enhance the development prospects and competitiveness of African countries through increased participation in international trade. It emphasizes human resource development and institutional capacity-building, as well as the strengthening of export supply capabilities. It is designed to maximize cooperation among the three co-sponsoring organizations and to improve the utilization and effectiveness of available resources. Priority attention in stage 1 of the integrated programme is given to human resource development and institutional strengthening by focusing on the implementation of the Uruguay Round Agreements. Stage 2 of the programme concentrates on policy and other supportive measures required to strengthen export supply capabilities of African countries so as to exploit the new market opportunities created by the Uruguay Round. This programme is currently being implemented in eight African countries, including the following four LDCs: Benin, Burkina Faso, Uganda and United Republlic of Tanzania. Joint UNCTAD/WTO/ITC missions have visited the above-mentioned countries. In light of the experience gained in implementing this programme, its further development and extension to other African countries and LDCs is envisaged in the short and medium term.

VI. OTHER INITIATIVES

A. Global Knowledge 1997

61. "Global knowledge 97" is an initiative to assist developing countries (including LDCs) in the field of information technology. The "Knowledge for Development Conference", co-hosted by the World Bank and the Government of Canada, took place in Toronto, Canada, on 23-25 June 1997. It addressed two fundamental questions facing developing countries and the international community in the information age: how can developing countries, and particularly the world's poor, access and harness knowledge for development, so as to promote empowerment, enable life-long learning, and reduce poverty; and how must the international community adapt to help address these challenges.

B. Tokyo Declaration on African Development "Towards the 21st Century"

62. The Tokyo International Conference on African Development (TICAD), hosted by the Government of Japan in October 1993, adopted the Tokyo Declaration on African Development with the aim of strengthening an emerging new partnership for sustainable development in Africa based on self-reliance of African countries and the support of Africa's

development partners. The participants in the Conference committed themselves to applying a comprehensive approach covering aid, trade, debt strategy and investments. They promised to make all efforts to remove trade barriers and other trade practices that prevent the expansion of African exports including exports to other African countries. The Conference underscored the importance of primary commodities for many African countries' export earnings and the need for diversification to reduce the volatility of these earnings. Several follow-up activities to TICAD, including regional workshops and forums, have been implemented. The second TICAD, to be organized by the Government of Japan, the UN Office of the Special Coordinator for Africa and Least Developed Countries (OSCAL) and the Global Coalition for Africa (GCA), will be convened in 1998.